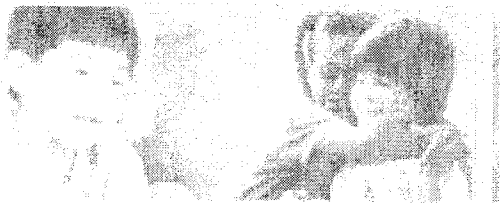
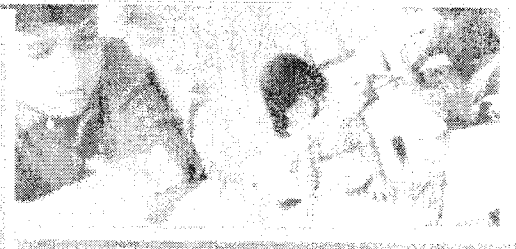


**Childcare Information Services  
of Beaver County**

**Audit Report**

**For the period July 1, 2002 through  
June 30, 2003**



**Richard W. Towcimak  
Beaver County Controller**

## Table of Contents

Audit Letter .....	1
Audit Scope and Objectives .....	2
Statements of Revenues and Expenses .....	3
Notes to the Statement of Revenue and Expense.....	4
Report on Internal Control Structure .....	5
Findings and Recommendations .....	9
Exit Conference and Follow-up Reporting .....	12

RICHARD W. TOWCIMAK  
CONTROLLER



VINCENT LaVALLE  
DEPUTY CONTROLLER

JOHN P. DOHANICH  
SOLICITOR

BEAVER COUNTY COURTHOUSE  
THIRD STREET - BEAVER, PENNSYLVANIA 15009-2196  
TELEPHONE: Area Code 724-728-5700

November 21, 2003

Mr. Joseph Piroli, Director  
Childcare Information Services of Beaver County  
1030 Eighth Avenue  
Beaver Falls, PA 15010

We have audited the financial records of the Beaver County Office of Childcare Information Services (CCIS) for the fiscal year-ended June 30, 2003 and have issued our report thereon.

We conducted our audit in accordance with generally accepted governmental auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatement.

Based on our review, we have made the following findings and recommendations as detailed in this report.

A handwritten signature in black ink, appearing to read "Richard W. Towcimak", is positioned above the printed name of the controller.

Richard W. Towcimak  
Beaver County Controller

**Scope:**

The 2002 - 2003 fiscal year was reviewed. This included the period July 1, 2002 through June 30, 2003.

**Objective:**

The following objectives were performed during the audit:

- Ensure that the Childcare Information Services bank account was adequately funded
- Ensure that CCIS Recap for the Fiscal Year 2002-2003 was accurate
- Ensure that the documentation in the client files was adequate
- Ensure that the documentation in the childcare providers files was adequate
- Ensure that funds receipted were applied properly to the proper program
- Evaluate the controls over expenditures and the administration of the budget
- Evaluate the controls over disbursements to providers
- Review for compliance with the grant agreements and program requirements
- Evaluate general office procedures

**Childcare Information Services of Beaver County**  
**Statement of Revenue and Expense**  
**Fiscal Year Ending June 30, 2003**

**Revenue**

State Funding		
Service Funding	\$4,595,407.00	
Administrative	<u>841,000.81</u>	
Total State Funding		\$5,436,407.81
Interest Earned on the Checking Account		6,042.88
Auction Proceeds		<u>44.92</u>
<b>Total Revenue</b>		<b>\$5,442,495.61</b>

**Expense**

Personnel		
Salaries	\$301,076.57	
Benefits	<u>106,377.06</u>	
Total personnel		\$407,453.63
Operations		
Indirect costs	\$ 78,252.74	
Occupancy	71,441.97	
Supplies	42,389.93	
Telephone	35,989.52	
Equipment	26,853.30	
Advertising	15,887.69	
Computer Consultants	15,702.64	
Postage	13,049.27	
Audit (reserve)	6,500.00	
Travel	4,130.82	
Insurance	2,515.23	
Training	1,716.29	
Printing	<u>980.94</u>	
Total operations		<u>315,410.34</u>
Total Administrative Disbursements		\$ 722,863.97
Total Provider Services Disbursements		4,572,741.39
Unused State Funding & Interest Returned to DPW		<u>142,819.21</u>
<b>Total Disbursements</b>		<b>(5,438,424.57)</b>

**Adjustments**

Reserve for 2002-2003 expenditures after the re-cap:	\$6,500.00	
Administrative costs paid from the reserve	(209.95)	
Childcare service payments from the reserve	(1,055.93)	
Single audit fee paid from the reserve	(4,856.69)	
Adjustment for prior years reserve payments	(2,952.25)	
OIG Investigations pending	<u>(1,496.22)</u>	
<b>Total Adjustments</b>		<b><u>(4,071.04)</u></b>

**CCIS Fiscal Yearend Fund Balance** **\$0.00**

## **Notes to the Statement of Revenues and Expenses**

- Note 1: Beaver County Childcare Information Services (CCIS) is entirely funded by the Pennsylvania Department of Public Welfare (DPW). The DPW distributes one-twelfth of an annual funding allocation to the CCIS office each month. The funding check is deposited in a separate bank account maintained by the County Treasurer. CCIS submits all invoices to the County Controller for payment through the county's general fund. Checks are then written by the County Controller from the CCIS bank account to reimburse the county's general fund. The Childcare Information Services Office must submit monthly reports to the DPW detailing the disbursement of funds. All interest earned cannot be used for administrative expenses and must be applied to fund childcare services. At the fiscal year-end any funding not used by CCIS must be returned to the Department of Public Welfare.
- Note 2: Expenses are reported as per the CCIS Administrative Final Budget Report as submitted to the DPW by CCIS.

RICHARD W. TOWCIMAK  
CONTROLLER



VINCENT LaVALLE  
DEPUTY CONTROLLER

JOHN P. DOHANICH  
SOLICITOR

BEAVER COUNTY COURTHOUSE  
THIRD STREET - BEAVER, PENNSYLVANIA 15009-2196  
TELEPHONE: Area Code 724-728-5700

November 21, 2003

Mr. Joseph Piroli, Director  
Childcare Information Services of Beaver County  
1030 Eighth Avenue  
Beaver Falls, PA 15010

### Report on Internal Controls

We have audited the records of the Beaver County CCIS for the period July 1, 2002 through June 30, 2003, and have issued our report thereon.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatement.

In planning and performing our audit of Beaver County CCIS we considered the office's internal control structure to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and the office's compliance with applicable regulations and not to provide assurance on the internal control structure.

The management of the office is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition,

and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with prescribed policies.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, future reliance on any evaluation of the structure, past or current, is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Additionally, we assessed control risk for the internal control structure. Compliance with applicable laws and regulations was considered when assessing control risk for the internal control structure.

We noted certain matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce, to a relatively low level, the risk that material errors or irregularities affecting the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions.

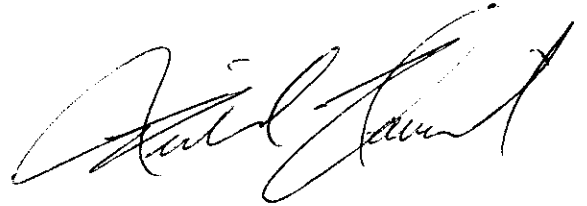
Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we noted the following conditions:

- State accounting records were not being reconciled to the County JDEdwards accounting system.
- Rate verifications were not performed as required.
- Improvement was needed in the control over the postage meter account.
- Signed "Rights and Responsibilities" forms were not always included in the client files.

These weaknesses are discussed in detail in the finding section of this audit report.



This report is intended solely for the information and use of management, the Office of the Controller, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to read "Richard W. Towcimak", written in a cursive style.

Richard W. Towcimak  
Beaver County Controller

## **Findings and Recommendations**

**Finding 1: State accounting records were not being reconciled to the County JDEdwards accounting system**

Actual payments to providers were not reconciled to the State CAMIS system to assure accuracy. The CAMIS system contains no safeguards to assure only authorized changes and adjustments are processed, nor does it provide a complete audit trail to track changes to provider files and invoices. The State is in the process of converting all the CCIS offices in Pennsylvania to a new CCMIS system that is expected to be fully functional sometime in 2004. This new system is reported to include built in system safeguards that automatically track any changes or adjustments. Also, CCMIS is to automatically check for details such as; certification and clearances for all providers; the number of children allowable at a center; state wide rate changes; and to automatically charge a late fee for delinquent provider invoices. Because no reconciliation was performed to assure that the amount of actual checks processed through the JDEdwards system agreed with the amount of provider payments as reported to the Pennsylvania DPW, unauthorized changes to the CAMIS accounts could have gone undetected.

Additionally, when the final re-cap and return of excess funds was submitted to DPW, a \$6,500.00 reserve was retained by CCIS to pay for the 2002 Single Audit prepared by Case Sabatini. Several minor adjustments to both provider payments and administrative costs were noted after this final submission. These adjustments reduced the reserve balance leaving only \$4,856.69 to pay for the \$6,200.00 final assessment charge for the audit. Had the accounts maintained for DPW been reconciled to JDEdwards sufficient reserve could have been retained.

**Recommendation:**

CCIS data as provided to the State DPW should be reconciled to Beaver County's JDEdwards Balance Sheet accounts for CCIS (2263). Due to the fact that the CCIS was in the process of converting to the new CCMIS system, the auditor made no internal control recommendations relating to the obsolete CAMIS system. We recommend that, in the future, actual charges for administration and provider payments processed through the County JDEdwards system be reconciled to the DPW administrative expense reports and CCMIS monthly. This will ensure that DPW receives accurate data and, that all errors and adjustments are identified. Any adjustments should be thoroughly investigated and documented with valid support for the correction.

**Finding 2: Rate verifications were not performed as required**

Childcare Information Services personnel are required by the Pennsylvania State Department of Public Welfare to perform rate verifications which assure that state subsidized children do not pay more than private pay non-subsidized children enrolled in the daycare programs. Per discussion with personnel, no rate verifications were performed during the 2002 - 2003 fiscal year. This audit item was also included as a finding in the prior audit for the 2000 – 2001 fiscal period.

**Recommendation:**

We recommend rate verifications be performed as required.

**Finding 3: Improvement was needed in the control over the postage meter account**

Total postage charged by CCIS in 2002 was \$13,492 and in the first 6 months of 2003 was \$6,975. CCIS maintains an account with the U.S. Postal Service through Francotyp - Postalia, Inc. This account was not being monitored or controlled to insure accuracy. At the time of audit inquiry in October 2003, CCIS office personnel were unaware that excess funds totaling \$2,700 were available in their account.

**Recommendation:**

We recommend that Francotyp- Postalia be contacted periodically to obtain a statement of the office's account balance. This balance should be reconciled to a control amount maintained by CCIS office personnel indicating available funds. Postage funds should be requested from the County only as needed and the account balances should be kept to a minimum.

**Finding 4: Signed “Rights and Responsibilities” forms were not always included in the client files**

For two of 19 sampled clients a signed Rights and Responsibilities form was not included in the client’s file. Both these clients were newly enrolled with a new application form that became effective July 2002. This new form has the Rights and Responsibilities Statement printed on the back cover with instructions to remove the page and give it to the client. During a discussion with office personnel, it was determined that for a short time the back cover was being used as a replacement for the usual form. Therefore, duplicate Rights and Responsibility Statements signed by the client were not obtained by CCIS to document the client’s acceptance and acknowledgement. It was indicated that the situation was soon corrected, and that the signed forms have since been required. The auditor expanded the review and selected 5 additional client files from those newly enrolled in October 2003. All of the required-signed forms were found to be present in the expanded sample.

**Recommendation:**

During the re-determination process, added attention should be directed to the Rights and Responsibilities Statements of Clients enrolled after July 2002 to assure that a signed form is in each file.

An exit conference was held on November 21, 2003 at the Office of Childcare Information Services for the purpose of discussing the items presented in this report. Those in attendance were:

Childcare Information Services

Joe Piroli – Director

Beaver County Controller's Office

Cheryl Spagnola - Auditor

The results of the audit were discussed in their entirety during this conference.

A form has been enclosed with this report to be completed by CCIS. This form restates all observations noted in the audit. CCIS is requested to complete the corrective action section for each observation. If no corrective action is planned or has been taken please state this. Return this form to the Office of the Controller within thirty days of receipt. This form will be incorporated and become a part of this report. As a part of the Office of the Controller's normal reporting procedure, a copy of this report along with your responses will be distributed to the Beaver County Commissioners, Beaver County Law Department, and will be posted in the Controller's section of the Beaver County website.

Dan Donatella, *Chairman*  
James Albert  
Charles A. Camp  
*County Commissioners*

# Childcare Information Services of Beaver County Childcare Choices

1030 Eighth Avenue  
1st Floor, Room 128  
Beaver Falls, PA 15010  
724-847-0145 • 800-322-8504  
Fax 724-847-1593  
  
Joe Pirolli, *Director*

January 2, 2004


Richard W. Towcimak, Controller  
Beaver County Courthouse  
Third Street  
Beaver, PA 15009-2196

Dear Mr. Towcimak:

Please find enclosed the reply to the findings noted during the audit for the period of July 1, 2003 through June 30, 2003. These have been reviewed with responses written as to the corrective actions that will be made with each finding.

If more information or clarification is necessary, please feel free to call me at the CCIS of Beaver County office.

Thank you,

  
Joe Pirolli, Director  
CCIS of Beaver County

Enclosures  
JP/gk

2004 JAN - 2 P 1:46

RECEIVED  
BEAVER COUNTY  
CONTROLLER'S OFFICE

**CHILD CARE INFORMATION SERVICES  
OF BEAVER COUNTY  
RESPONSE TO AUDIT FINDINGS  
FOR THE PERIOD JULY 2002 THROUGH JUNE 2003**



**Child Care Information Services  
Of Beaver County  
Response to Audit Findings  
July 2002 Through June 2003 Audit**

---

**Finding 1: State accounting records were not being reconciled to the County JDEdwards accounting system**

**Corrective Action Implemented by the CCIS:**

The fiscal assistant has been directed to begin reconciling administrative payments to that of JDEdwards. Through the aid of the in-house auditor, several suggestions have been made to the fiscal assistant in order to better structure revenues and expenditures of the Administrative Budget. The CCMIS system is in its early stages of performance. The CCIS agency is reviewing what all will be available in order to better reconcile CCMIS provider payments/invoices to the actual payments made by the County Controller's office, which are reflective through JDEdwards. All attempts will be made to ensure better control over provider invoicing and payments that are made through the CCIS of Beaver County.

**Date Corrective Action Was Implemented:**

The reconciling of the CCIS Administrative reporting to that of JDEdwards was implemented immediately with instruction from the in-house auditor. It is felt that the fiscal assistant has a better concept of working with the two systems and will be able to provide an improvement in reconciling CCIS reports to that of JDEdwards.

**Finding 2: Rate verifications were not performed as required**

**Corrective Action Implemented by the CCIS:**

During the time period that the rate verifications should have been completed, the Director was off on a lengthy medical leave. The Acting Director failed to direct appropriate staff to complete this task. In the future, this task will be assigned solely to the Provider Liaisons and Fiscal staff to complete. They will be performed for each fiscal year.

**Date Corrective Action Was Implemented:**

Please see above response.

**Finding 3: Improvement was needed in the control over the postage meter account**

**Corrective Action Implemented by the CCIS of Beaver County**

After being made aware of the excessive postage that had been purchased by CCIS and after reviewing Francotyp-Postalia's most recent statement it was noted that a purchase of postage had not been properly recorded on the postage meter. The fiscal assistant was asked to periodically check on the monetary status of the postage meter to avoid excessive postage purchases.

**Date Corrective Action Was Implemented:**

This action was put into place upon the initial finding of the in-house auditor.

**Finding 4: Signed “Rights and Responsibilities” forms were not always included in the client files**

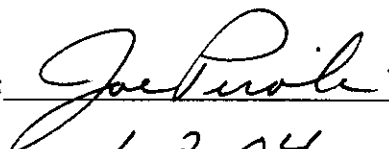
**Corrective Action Implemented by the CCIS:**

As noted in the Auditor’s findings, this situation was already addressed and remedied. Added attention has been given to make sure that all necessary documentation including, but not limited to, the “Rights and Responsibilities” forms are included in client files.

**Date Corrective Action Was Implemented:**

Please see above entry.

**Signature of Elected Official:**



**Date:**

